



Recognizing and Avoiding the Pitfalls of Predatory Lending

What is predatory lending?

The solicitation of equity-rich homeowners through high-pressure sales tactics, deceptive promises, and deceptive products, with the goal of forcing homeowners into high-cost loans they cannot afford, so the homeowners will get behind in their payments and be forced to refinance or lose their home through foreclosure.

1. The solicitation
2. of equity-rich homeowners
3. through high-pressure sales tactics,
4. deceptive promises, and
5. deceptive products,
6. with the goal of forcing homeowners into high-cost loans
7. they cannot afford,
8. so the homeowners will get behind in their payments
9. and be forced to refinance
10. or lose their home through foreclosure.

Who is it directed against?

1. Equity-rich (but cash-poor)
2. Elderly
3. Minorities

How can you recognize it?

1. High-pressure sales tactics
2. Promises, promises
3. High fees (generally more than 3-5%)
4. High interest rates (generally more than 10-12%)
5. Single-premium credit insurance
6. Balloon payments
7. Loan-flipping
8. Pre-payment penalties

Daniel P. Lindsey △ Legal Assistance Foundation of Metropolitan Chicago △ December 8, 2001

How can you avoid it?

1. Never accept solicitations (phone calls, door-to-door, mail).
2. If you want to refinance or get a home equity loan:
 - (1) go to a local bank
 - (2) call a housing counseling agency (*see* list of HUD-approved agencies)
 - (3) contact City (*see* below)
 - (4) contact OBRE (*see* below)
3. Always shop around (get at least 3 estimates).
4. Always get estimates in writing before making a final decision, never go to closing without a written estimate in front of you, and never enter the deal if the terms are radically different from the estimate.
5. Seek legal representation for closing, or at least bring a trusted friend.
6. Never sign anything unless you completely understand it, and don't sign if they won't explain.
7. Never feel pressured to enter into a deal.
 - (1) Ignore "limited time only" deals.
 - (2) If it seems too good to be true, it is.
 - (3) Ignore oral promises ("Sign now and we'll lower your rates later.")
8. Remember: under federal law, you always have 3 days to cancel!!!

Who can I call for help?

1. HUD Housing Counseling Agencies (*see* list).
2. City of Chicago Hotline: 1-866-SAVE-HOME.
3. Office of Banks and Real Estate (to get advice *or* to file a complaint).

www.obre.state.il.us

500 East Monroe Street
Springfield, Illinois 62701
Phone: (217) 782-3000
Fax: (217) 524-5941
TDD: (217) 524-6644

310 S. Michigan Ave., Ste. 2130
Chicago, Illinois 60604
Phone: (312) 793-3000
Fax: (312) 793-7097
TDD: (312) 793-0291

OBRE Toll Free Hotline: 1-877-793-3470

REMEMBER

TAKE initiative, TAKE your time, and TAKE a friend--or you'll be the one who gets taken!!!